# 400

# Transportation

Budget function 400 covers most programs of the Department of Transportation as well as aeronautical research by the National Aeronautics and Space Administration. It supports programs that aid and regulate ground, air, and water transportation, including grants to states for highways and airports and federal subsidies for Amtrak. CBO estimates that total outlays for function 400 will be $47 billion in 2000. Almost all of that amount is classified as discretionary spending. (Funding for most transportation programs is provided by mandatory contract authority.) Over the past 10 years, spending under function 400 has increased significantly.

**Federal Spending, Fiscal Years 1990-2000 (In billions of dollars)**

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | Estimate 2000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Budget Authority (Discretionary) | 13.5 | 13.7 | 15.0 | 14.0 | 15.7 | 12.5 | 13.6 | 14.5 | 16.0 | 13.7 | 14.5 |
| Outlays | | | | | | | | | | | |
| Discretionary | 27.9 | 29.3 | 31.5 | 33.3 | 36.0 | 37.1 | 37.1 | 38.4 | 38.3 | 40.6 | 44.7 |
| Mandatory | 1.6 | 1.8 | 1.9 | 1.7 | 2.1 | 2.3 | 2.5 | 2.3 | 2.1 | 1.9 | 2.3 |
| Total | 29.5 | 31.1 | 33.3 | 35.0 | 38.1 | 39.4 | 39.6 | 40.8 | 40.3 | 42.5 | 47.0 |
| **Memorandum**: | | | | | | | | | | | |
| Annual Percentage Change in Discretionary Outlays | | 5.0 | 7.5 | 5.6 | 8.3 | 2.9 | 0 | 3.7 | -0.4 | 6.0 | 10.2 |

# 400-01 Eliminate Federal Subsidies for Amtrak

| | Savings (Millions of dollars) | |
|---|---|---|
| | Budget Authority | Outlays |
| **Relative to WODI** | | |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 571 | 228 |
| 2004 | 571 | 571 |
| 2005 | 571 | 571 |
| 2001-2005 | 1,713 | 1,370 |
| 2001-2010 | 4,568 | 4,225 |
| **Relative to WIDI** | | |
| 2001 | 0 | 0 |
| 2002 | 0 | 0 |
| 2003 | 600 | 240 |
| 2004 | 610 | 604 |
| 2005 | 621 | 614 |
| 2001-2005 | 1,831 | 1,458 |
| 2001-2010 | 5,096 | 4,691 |

**SPENDING CATEGORY:**

Discretionary

When the Congress established the National Railroad Passenger Corporation, commonly known as Amtrak, in 1970, it anticipated providing subsidies for only a limited time, until Amtrak could become self-supporting. By 1999, however, Amtrak had consumed more than $20 billion in federal subsidies. In addition to subsidies made through annual appropriations, the Congress gave Amtrak $2.2 billion (in the form of credits for tax refunds) under the Taxpayer Relief Act of 1997. That money was to be used for investments that would help turn Amtrak around. Further, the Amtrak Reform and Accountability Act of 1997 (ARAA) requires that Amtrak be self-supporting on an operational basis by the end of 2002.

This option would eliminate all federal subsidies for Amtrak by the end of 2002. Amtrak would have to finance its capital investments without federal assistance. To help make up for that loss of federal funding, the Congress could authorize states to use federal-aid highway funds for Amtrak. This option would save $4.2 billion over the 2001-2010 period.

Proponents of eliminating federal subsidies contend that Amtrak should be self-supporting, as initially envisioned. Without federal subsidies, Amtrak would have to focus on service that has the greatest potential for financial success, such as the Metroliner's high-speed service along the congested corridor between Washington and New York City, where passengers are willing and able to pay the full cost of the service. Amtrak would be forced to continue to improve efficiency in its operations and its investments. Those who favor eliminating subsidies claim that it is unfair for the federal government to subsidize business travelers, who make up a substantial share of Amtrak passengers in congested corridors, and vacationers with high incomes.

Opponents of cutting subsidies say that reducing federal support would lead Amtrak to cancel service on lightly traveled routes and that passengers in those areas might not have alternative transportation available. They also note that subsidizing rail service in congested areas may be justified as a way of offsetting the congestion costs imposed on and by users of highways, airports, and airways. Retaining federal subsidies for Amtrak, especially for congested corridors, may help to redress that imbalance. Moreover, improving service on some corridors could strengthen the national passenger rail system by providing linkages to better-performing routes.

## 400-02 Eliminate the Essential Air Service Program

| | Savings (Millions of dollars) | |
|---|---|---|
| | Budget Authority | Outlays |
| 2001 | 50 | 30 |
| 2002 | 50 | 50 |
| 2003 | 50 | 50 |
| 2004 | 50 | 50 |
| 2005 | 50 | 50 |
| 2001-2005 | 250 | 230 |
| 2001-2010 | 500 | 480 |

**SPENDING CATEGORY:**

Mandatory

**RELATED OPTION:**

300-14

The Essential Air Service (EAS) program was created by the Airline Deregulation Act of 1978 to continue air service to communities that had received federally mandated air service before deregulation. The program provides subsidies to air carriers serving small communities that meet certain criteria. Subsidies currently support air service to about 105 U.S. communities, including 29 in Alaska (for which separate rules apply). The number of passengers served annually has fluctuated in recent years, as has the subsidy per passenger, which has ranged from $4 to $400. The Congress has directed that such subsidies not exceed $200 per passenger unless the community is more than 210 miles from the nearest large or medium-sized hub airport.

This option would eliminate the EAS program, thus providing savings in mandatory outlays of $480 million from 2001 to 2010. To adopt this option, the Congress would have to modify the provision of the Federal Aviation Administration Reauthorization Act of 1996 that authorized $50 million a year in direct spending for the EAS program. That law also authorized the Federal Aviation Administration (FAA) to collect up to $100 million in fees for specified air traffic control services (for certain aircraft flying over the United States but not taking off or landing at a U.S. airport), of which $50 million was to be made available for the EAS subsidies. The law further provided that even if the FAA did not collect $50 million in fees, it still had to provide that amount for the EAS program. The FAA's initial fee structure was overturned in court, however. While the agency is developing a new fee structure, it is collecting no fees. This option would not affect fee collection, but it would sever the link between fees and EAS subsidies. Phasing out the program over several years would mitigate disruptions.

Critics of the EAS program contend that the subsidies are excessive, providing air transportation at a high cost per passenger. They also maintain that the program was intended to be transitional and that the time has come to phase it out. If states or communities derive benefits from service to small communities, the states or communities could provide the subsidies themselves.

Supporters of the subsidy program claim that it prevents the isolation of rural communities that would not otherwise receive air service. Subsidies are not available for service to communities located less than 70 miles from a large or medium-sized hub airport (except in Alaska and Hawaii). The availability of airline transportation is an important ingredient in the economic development of small communities. Without continued air service, according to some proponents, some towns might lose a sizable portion of their economic base.

# 400-03 Establish Charges for Airport Takeoff and Landing Slots

| | Added Receipts (Millions of dollars) |
|---|---|
| 2001 | 500 |
| 2002 | 500 |
| 2003 | 500 |
| 2004 | 500 |
| 2005 | 500 |
| 2001-2005 | 2,500 |
| 2001-2010 | 5,000 |

**SPENDING CATEGORY:**

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

**RELATED OPTION:**

300-07

**RELATED CBO PUBLICATION:**

*Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* (Study), May 1992.

In 1968, the Federal Aviation Administration (FAA) established controls on airport takeoff and landing slots at four airports—Kennedy International and La Guardia in New York, O'Hare in Chicago, and Ronald Reagan Washington National Airport—and allocated them to airlines without charge. Airlines are allowed to buy and sell slots from and to each other, with the understanding that the FAA retains ultimate control and can withdraw the slots or otherwise change the rules for using them at any time. Under this option, the FAA would charge annual fees for slots at those airports.

Estimating the revenue from charges for the slots is difficult under any circumstances because slot values vary by airport, time of day and season, and market conditions. Recent legislative and administrative actions have increased uncertainty about slot policies and prices. In 1999, both the Senate and the House of Representatives passed bills to lift restrictions on the slots. Both bills would eliminate slot restrictions at Kennedy and LaGuardia as of January 1, 2007, and would allow interim increases in slots for regional jets serving small hub and nonhub airports. At O'Hare, the House would begin phasing out restrictions in March 2000 and would eliminate them in March 2002. The Senate would phase in 30 additional slots at O'Hare over a three-year period. At Washington National, the Senate would allow 24 additional slots per day; the House would allow six. This year, the Congress will resume its consideration of slot restrictions. If it eliminates them, the value of the slots would eventually reach zero. However, as long as the economy remains strong and the demand for air travel is great, airlines will continue to place a high value on slots that enable them to provide profitable service. CBO estimates receipts to be about $500 million annually, but they could be higher or lower depending on the structure of the slots' leasing arrangements—such as length, whether slots could be subleased, and usage requirements—as well as market conditions affecting the airline industry.

The main argument for establishing charges for slots is that public airspace is scarce and private firms and individuals should pay for the benefits that result from that scarcity. Furthermore, the charges would provide an incentive for using those scarce resources most efficiently.

The main argument against charging for slots is that the scarcity of slots at the four airports mentioned arises mainly from a lack of land and runway space; the fees are not intended to provide more capacity. Furthermore, if the current prices that airlines already pay in the private sale of slots accurately reflect their value, the proposal might not produce more efficient use of those scarce resources; the result would only redistribute the benefits from their use between the private and public sectors.

# 400-04 Increase User Fees for FAA Certificates and Registrations

| | Added Receipts (Millions of dollars) |
|---|---|
| 2001 | 4 |
| 2002 | 4 |
| 2003 | 4 |
| 2004 | 4 |
| 2005 | 4 |
| 2001-2005 | 20 |
| 2001-2010 | 40 |

**SPENDING CATEGORY**:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

**RELATED OPTIONS**:

300-10, 300-12, and 400-05

The Federal Aviation Administration (FAA) oversees a large regulatory program to ensure safe operation of aircraft within the United States. It oversees and regulates the registration of aircraft, licensing of pilots, issuance of medical certificates, and other similar activities. The FAA issues most licenses and certificates free of charge or at a price well below its cost of providing such regulatory approvals. For example, the current fee for registering aircraft is $5, but the FAA's cost of providing the service is closer to $30. The FAA estimates the cost of issuing a pilot's certificate to be $10 to $15, but the agency does not charge for the certificates. Imposing fees to cover the costs of the FAA's regulatory services could increase receipts by an estimated $20 million over the 2001-2005 period. Net savings could be somewhat smaller than those shown if the FAA needed additional resources to develop and administer fees.

The Drug Enforcement Assistance Act of 1988 authorizes the FAA to impose several registration fees as long as they do not exceed the agency's cost of providing that service. For general aviation, the act allows fees of up to $25 for aircraft registration and up to $12 for pilots' certificates (plus adjustments for inflation). Setting higher fees would require additional legislation. The Congress could provide for them in the legislation currently under consideration that would reauthorize the FAA.

Increasing regulatory fees might burden some aircraft owners and operators. That effect could be mitigated by setting registration fees according to the size or value of the aircraft rather than to the FAA's cost. FAA fees based on the cost of service, however, would be comparable with automobile registration fees and operators' licenses and thus are likely to be affordable, especially when compared with the total cost of owning an airplane.

# 400-05 Establish Marginal Cost-Based Fees for Air Traffic Control Services

| | Added Receipts (Millions of dollars) |
|---|---|
| 2001 | 2,000 |
| 2002 | 2,000 |
| 2003 | 2,000 |
| 2004 | 2,000 |
| 2005 | 2,000 |
| 2001-2005 | 10,000 |
| 2001-2010 | 20,000 |

**SPENDING CATEGORY**:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

**RELATED OPTIONS**:

300-10, 300-12, 400-05, and 400-06

**RELATED CBO PUBLICATION**:

*Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* (Study), May 1992.

The Federal Aviation Administration (FAA) operates the air traffic control (ATC) system, which serves commercial air carriers, military aircraft, and such smaller users as air taxis and private corporate and recreational aircraft. Traffic controllers in airport towers, terminal radar approach control facilities (TRACONs), and air route traffic control centers (ARTCCs) help guide aircraft safely as they taxi to the runway, take off, fly through designated airspace, land, and taxi to the airport gate. Other ATC services include flight service stations that provide weather data and other information useful to small-aircraft operators.

This option would impose fees for ATC services that reflect the FAA's marginal costs of providing the services. The marginal cost of a flight equals the costs of each ATC service (or contact) provided for that flight. For example, a commercial flight from New York to San Francisco entails contacts with two airport towers, two TRACONs, and seven ARTCCs. Under this option, the airline would pay the sum of the marginal costs of each of those contacts. A 1997 FAA study estimated total marginal costs to be about $2 billion a year.

Fees based on marginal costs would affect different types of airline operations differently. Carriers mainly using hub-and-spoke networks would probably face higher fees than those providing nonstop origin-destination flights because of differences in the number of contacts with towers and TRACONs.

Imposing fees for marginal costs would encourage users to use the ATC system efficiently. Noncommercial users might reduce their consumption of ATC services, freeing controllers for other tasks and increasing the system's overall capacity. By analyzing the pattern of revenues from user fees, FAA planners could better decide on the amount and location of additional ATC investment, which would make the system more efficient.

The main argument against this option is that it would raise the cost of ATC services to users. Such a move could weaken the financial condition of some commercial air carriers.

# 400-06 Impose a User Fee to Cover the Cost of the Federal Railroad Administration's Rail Safety Activities

| | Added Receipts (Millions of dollars) |
|---|---|
| 2001 | 77 |
| 2002 | 77 |
| 2003 | 77 |
| 2004 | 77 |
| 2005 | 77 |
| 2001-2005 | 385 |
| 2001-2010 | 770 |

**SPENDING CATEGORY**:

This fee could be classified as a discretionary offsetting collection or a mandatory offsetting receipt depending on the specific language of the legislation establishing the fee.

**RELATED OPTIONS**:

300-10, 300-12, 400-04, and 400-05

The function of the Federal Railroad Administration's (FRA's) rail safety activities is to protect railroad employees and the public by ensuring the safe operation of passenger and freight trains. Field safety inspectors are responsible for enforcing federal safety regulations and standards. Other functions include issuing standards, procedures, and regulations; administering postaccident and random drug testing of railroad employees; providing technical training; and managing highway grade-crossing projects.

Railroad safety fees, which had been authorized in the Omnibus Budget Reconciliation Act of 1990, expired in 1995. Before 1995, railroads were subject to the FRA's safety oversight user fees that covered the safety enforcement and administrative costs of carrying out FRA's mandated safety responsibilities. Those fees offset a portion of federal spending on safety programs. Since this authority expired in 1995, FRA has not assessed user fees for operating its safety program.

This option would impose new user fees to offset the costs of the FRA's rail safety activities—$700 million over 10 years. Those in favor of user fees contend that the specific recipients of government services should bear the cost of those services. The user fees would relieve the general taxpayer of the burden of supporting the FRA's rail safety activities.

People who oppose having users pay for the service contend that the general public is the main beneficiary of the FRA's rail safety activities. Critics of this option also note that other than businesses in the pipeline industry, no other freight or transportation businesses pay safety user fees.